

Report on  
Examination

**TOWNSHIP OF CROCKERY**

**OTTAWA COUNTY**

**June 30, 2008**

**Local Audit and Finance Division  
Bureau of Local Government Services**

CROCKERY TOWNSHIP--OTTAWA COUNTY  
TOWNSHIP BOARD

Leon Stille  
Supervisor

Erika Harrison  
Clerk

Judy VanBemmelen  
Treasurer

Gordon Constantine  
Trustee

Rich Suchecki  
Trustee

TOWNSHIP POPULATION--2000  
3,782

TAXABLE VALUATION--2007  
\$116,559,099



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

December 1, 2008

Township of Crockery  
Board of Trustees  
17431 112<sup>th</sup> Avenue  
Nunica, Michigan 49448

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township of Crockery's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Crockery Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2008 on our consideration of Crockery Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope

of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the budgetary comparison information (Exhibits I through K) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crockery Township's basic financial statements. The accompanying supplementary information in Exhibits L through O is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# TOWNSHIP OF CROCKERY--OTTAWA COUNTY

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## CROCKERY TOWNSHIP--OTTAWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of their finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### The Township as a Whole

The Township's net assets for the governmental funds increased \$34,572 from a year ago due to positive action by the board to cut costs. As the board attempts to deliver the best services, it realizes these services may have to be paid for by a voted millage to cover the expense. The Headlee Amendment has taken its toll on the amount we can levy for taxes with a drop from the 1.051 mills allowed in 1994 to the current .8991 in 2007. The transfer of funds for the payment of the fire station and the fire truck debt will continue to put a strain on the General Fund by the amount equal to the shortfall of revenue from the special voted millage approved in 2000, the shortfall will continue to the year 2013. The Fire Department received a grant from the Department of Homeland Security during the 2007-08 fiscal years.

In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	<u>Activities</u> <u>2007</u>	<u>Activities</u> <u>2008</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 643,711	\$ 707,038	\$ 63,327	10%
Capital Assets	<u>854,420</u>	<u>764,989</u>	<u>(89,431)</u>	<u>-10%</u>
Total Assets	<u>1,498,131</u>	<u>1,472,027</u>	<u>(26,104)</u>	<u>-2%</u>
Current Liabilities	27,757	45,182	17,425	63%
Long-Term Liabilities	<u>512,749</u>	<u>434,648</u>	<u>(78,101)</u>	<u>-15%</u>
Total Liabilities	<u>540,506</u>	<u>479,830</u>	<u>(60,676)</u>	<u>-11%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	341,671	330,341	(11,330)	-3%
Restricted	42,082	38,123	(3,959)	-9%
Unrestricted (Deficit)	<u>573,872</u>	<u>623,733</u>	<u>49,861</u>	<u>9%</u>
Total Net Assets	<u>\$ 957,625</u>	<u>\$ 992,197</u>	<u>\$ 34,572</u>	<u>4%</u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Business-Type Activities 2007	Business-Type Activities 2008	Difference	Percent
Current and Other Assets	\$ 503,892	\$ 508,041	\$ 4,149	1%
Capital Assets	4,876,120	4,626,732	(249,388)	-5%
Total Assets	5,380,012	5,134,773	(245,239)	-5%
Current and Other Liabilities	108,214	170,924	62,710	58%
Long-Term Liabilities	1,949,603	1,848,553	(101,050)	-5%
Total Liabilities	2,057,817	2,019,477	(38,340)	-2%
Net Assets				
Invested in Capital Assets	3,141,120	2,991,732	(149,388)	-5%
Net of Debt				
Unrestricted (Deficit)	181,075	123,564	(57,511)	-32%
Total Net Assets	\$ 3,322,195	\$ 3,115,296	\$ (206,899)	-6%

The following table shows the changes of the net assets as of the current year to the prior year:

	Governmental Activities 2007	Governmental Activities 2008	Difference	Percent
Program Revenues				
Charges for Services	\$ 131,209	\$ 99,368	\$ (31,841)	-24%
Operating Grants and Contributions	29,909	18,547	(11,362)	-38%
Capital Grants and Contributions	1,371		(1,371)	-100%
General Revenues				
Property Taxes	280,560	297,783	17,223	6%
State-Shared Revenues	254,380	260,700	6,320	2%
Unrestricted Investment Earnings	20,112	14,728	(5,384)	-27%
Other Revenue	9,124	10,996	1,872	21%
Total Revenues	726,665	702,122	(24,543)	-3%
Program Expenses				
General Government	204,352	229,952	25,600	13%
Public Safety	308,211	312,048	3,837	1%
Public Works	11,567	13,137	1,570	14%
Community and Economic Development	97,163	90,437	(6,726)	-7%
Recreation and Culture	30,435	4,412	(26,023)	-86%
Interest on Long-Term Debt	20,273	17,564	(2,709)	-13%
Total Expenses	672,001	667,550	(4,451)	-1%
Transfers (Out)	7,300		(7,300)	-100%
Change in Net Assets	\$ 47,364	\$ 34,572	\$ (12,792)	-27%

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Business-Type Activities <u>2007</u>	Business-Type Activities <u>2008</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 195,471	\$ 213,631	\$ 18,160	9%
Capital Grants and Contributions	261,397		(261,397)	100%
General Revenues				
Unrestricted Investment Earnings	<u>51,321</u>	<u>42,616</u>	<u>(8,705)</u>	<u>-17%</u>
Total Revenues	<u>508,189</u>	<u>256,247</u>	<u>(251,942)</u>	<u>-50%</u>
Program Expenses				
Water and Sewer	337,166	394,830	57,664	17%
Interest Expense	<u>74,935</u>	<u>68,316</u>	<u>(6,619)</u>	<u>-9%</u>
Total Expenses	<u>412,101</u>	<u>463,146</u>	<u>51,045</u>	<u>12%</u>
Transfers In	<u>7,300</u>	<u>          </u>	<u>(7,300)</u>	<u>100%</u>
Change in Net Assets	<u>\$ 103,388</u>	<u>\$ (206,899)</u>	<u>\$ (310,287)</u>	<u>-300%</u>

With the building of a sewer plant and the expansion of the water system, we hope to see growth in the Township's taxable base. The Township recognizes growth is necessary in order to meet its obligations. The building of a new fire station and the purchase of a fire truck, at a cost well beyond the amount of the projected revenue from the voted millage, has left the Township's General Fund with a burden over the next 6 years of making up the deficiency of approximately \$17,000 each year. In order to reduce costs, the Township Board has eliminated brining of roads and closed the library. With the downturn in the housing industry, the Building Fund was adjusted to reflect the decrease in revenue from permits.



**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Activities**

	Governmental Funds 2007	Governmental Funds 2008	Difference	Percent
Revenues				
Taxes and Penalties	\$ 280,560	\$ 297,783	\$ 17,223	6%
Licenses and Permits	46,418	40,386	(6,032)	-13%
Federal Grants	1,371	7,920	6,549	478%
State Grants	260,980	267,342	6,362	2%
Charges for Services	53,674	27,226	(26,448)	-49%
Fines and Forfeits	5,478	8,858	3,380	62%
Interest and Rentals	39,746	34,852	(4,894)	-12%
Other Revenue	38,438	17,755	(20,683)	-54%
Total Revenues	726,665	702,122	(24,543)	-3%
Program Expenses				
General Government	192,992	217,638	24,646	13%
Public Safety	216,975	221,496	4,521	2%
Public Works	11,567	13,137	1,570	14%
Community and Economic Development	97,163	90,437	(6,726)	-7%
Recreation and Culture	28,071	2,042	(26,029)	-93%
Capital Outlay	8,725	15,805	7,080	81%
Debt Service	95,665	95,665	-	0%
Total Expenses	651,158	656,220	5,062	1%
Change in Fund Balance	\$ 75,507	\$ 45,902	\$ (29,605)	-39%

The Township's total general revenues show a slight decrease over the budgeted amount for the fiscal year ending June 30, 2008. State Shared Revenue increased slightly for the fiscal year, which is 53% of our budget. We have put fee schedules in place to cover our costs associated with any building, zoning and planning projects. Recently the courts awarded the Township monies to cover the cost of cleaning up parcels of property in violation of the Township zoning ordinance. Our taxable values increased slightly, but with the Headlee Amendment our revenue can only increase by using the cost of living and consumer price index formula, which amounted to \$5,347 for 2007/08. Another factor that will play a part in the taxable value is the current number of foreclosures in Crockery Township. The Township will continue to struggle with the shortfall for making payments on the fire station/fire truck debt. The monthly operating costs for the sewer plant are not covered by the revenue received from the number of users connected, thus the cost of operating the sewer plant will also place a burden on the General Fund.

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-Type Activities**

The Township's business-type activities consist of the Water Fund. We provide water to approximately 30% of Township residents, which is purchased from the North Ottawa Water System (NOWS). The NOWS system is made up of the Cities of Grand Haven and Ferrysburg; the Townships of Spring Lake, Grand Haven, and Robinson; and the Village of Spring Lake. Crockery Township is a customer of Spring Lake Township and is included in their water projections.

**The Township's Funds**

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, Fire Operating Fund, Fire Station and Truck Fund, Sewer Fund, and the Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of approximately \$217,638 in 2008. These services are supported by the operating millage and State shared revenues. The two fire funds are for the operations and equipment/building loan of the fire department, which are supported by two special voted millages recorded in their own respective funds. The voted millage expires in the year 2013. These funds record the receipts from the special millage and the transfer from the General Fund to meet their obligations. The Fire Operating Fund's millage does not meet the operating requirements and the Fire Station and Truck Fund's millage does not meet the annual debt requirement and requires subsidization from the General Fund.

**General Fund Budgetary Highlights**

The Township Board amended the budget to take into account events occurring during the year, which were not anticipated at the time the budget was prepared in June. With an updated accounting package the township board is able to review revenue and expenses on a timely basis.

**Capital Asset and Debt Administration**

At the end of 2008, the Township had \$4,641,551 invested in a broad range of capital assets, including buildings, fire equipment, fire vehicles, and the sewer and water system. To pay for the majority of these capital assets, especially the sewer and water system, fire station, and fire truck, the Township entered into various debt obligations totaling \$2,069,648.

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2008/09 will remain a challenge for the Township Board. The taxable value increased 4.0 percent and will only produce \$108,125 in General Fund revenue. Due to excessive spending in building a new fire station and the purchase of a fire truck in 2002, future capital purchases for the fire department will be curtailed until the debt is paid in 2013. The cost of building a new fire station and purchasing a new fire truck for a total cost of \$972,778 in 2002 was financed with a loan of \$800,000 for 10 years. The annual loan payment is \$95,665. The amount collected from the voted millage was approximately \$80,015 in 2007/08. The General Fund will continue to subsidize payments for the next 5 years.

Crockery Township will be responsible for the cost of the daily operations of the sewer system. The bond payments are partially covered with a payment from the developer until the year 2017, leaving the township to make up the difference on the principal and interest payment. Currently, the Sewer Fund operates in a deficit until a customer base is able to cover the cost of operations. Each year, the General Fund will have to transfer funds to the Sewer Fund to cover the shortfall. Rates will need to be reviewed and adjusted on a yearly basis.

In order to keep the Water Fund healthy, rates and connection fees are adjusted yearly. Currently the amount due from water assessments will not cover the amount due for principal and interest on bonds that will be due over the next several years.

State Shared Revenue is 53% of the General Fund budget and the amount we receive has remained the same this year.

As part of the planning for the future, the township board had a complete reappraisal of property located in the township over the past year. From the reappraisal we were able to increase some of the taxable value on parcels that had not been assessed correctly in the past. Future Township Boards will be challenged by the amount of debt currently owed for the sewer system and fire station/truck debt. There is also the challenge in the water fund to build up a reserve in the event of a failure on some part of the water system. Parts of the water system are now over 30 years old. It will be critical that future Township Boards have good financial information from reliable professionals that are familiar with government accounting and the property tax structure (such as the headlee rollback).

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office, 17431 112<sup>th</sup> Avenue, Nunica, Michigan 49448.

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
GOVERNMENT-WIDE STATEMENT  
OF NET ASSETS  
June 30, 2008**

**EXHIBIT A**

<b><u>ASSETS</u></b>	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and Cash Equivalents	\$ 611,527	\$ 106,298	\$ 717,825
Investments		324,302	324,302
Receivables			
Special Assessments		32,360	32,360
Accounts	9,892	45,081	54,973
Due From State	85,619		85,619
Total Current Assets	707,038	508,041	1,215,079
Noncurrent Assets			
Due From County		83,716	83,716
Due From Private Sources		420,000	420,000
Special Assessment Receivable		246,454	246,454
Capital Assets--Net of Accumulated Depreciation	764,989	3,876,562	4,641,551
Total Noncurrent Assets	764,989	4,626,732	5,391,721
Total Assets	\$ 1,472,027	\$ 5,134,773	\$ 6,606,800
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities			
Accounts Payable	\$ 29,123	\$ 30,213	\$ 59,336
Due to Other Units of Government		140,561	140,561
Deposits Held in Trust	5,000		5,000
Accrued Liabilities	11,059	150	11,209
Total Current Liabilities	45,182	170,924	216,106
Long-Term Liabilities			
Contracts Payable		213,553	213,553
Notes Payable--Due Within One Year	80,905		80,905
Notes Payable--Due in More Than One Year	353,743		353,743
Bonds Payable--Due Within One Year		50,000	50,000
Bonds Payable--Due in More Than One Year		1,585,000	1,585,000
Total Noncurrent Liabilities	434,648	1,848,553	2,283,201
Total Liabilities	479,830	2,019,477	2,499,307
Net Assets			
Investment in Capital Assets--Net of Related Debt	330,341	2,991,732	3,322,073
Restricted for			
Fire Operating	4,717		4,717
Fire Station and Truck	1		1
Liquor Law Enforcement	3,161		3,161
Street Lights	2		2
Building Department	30,242		30,242
Unrestricted	623,733	123,564	747,297
Total Net Assets	\$ 992,197	\$ 3,115,296	\$ 4,107,493

**The Notes to Financial Statements are an integral part of this statement**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2008**

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Government Activites	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 229,952	\$ 32,656		\$(197,296)		\$ (197,296)
Public Safety	312,048	35,993	\$ 13,335	(262,720)		(262,720)
Public Works	13,137	9,985	5,212	2,060		2,060
Community and Economic Development	90,437	20,734		(69,703)		(69,703)
Recreation and Culture	4,412			(4,412)		(4,412)
Interest on Long-Term Debt	17,564			(17,564)		(17,564)
Total Governmental Activities	667,550	99,368	18,547	(549,635)	\$ -	(549,635)
Business-Type Activites						
Sewer Fund	221,543	30,822			(190,721)	(190,721)
Water Fund	241,603	182,809			(58,794)	(58,794)
Total Business-Type Activities	463,146	213,631	-	-	(249,515)	(249,515)
Total	\$ 1,130,696	\$312,999	\$ 18,547	\$(549,635)	\$ (249,515)	\$ (799,150)
General Revenues						
Property Taxes				\$ 297,783		\$ 297,783
State-Shared Revenues				260,700		260,700
Unrestricted Investment Earnings				14,728	\$ 42,616	57,344
Other				10,996		10,996
Total General Revenues--Special Items and Transfers				584,207	42,616	626,823
Change in Net Assets				34,572	(206,899)	(172,327)
Net Assets--Beginning				957,625	3,322,195	4,279,820
Net Assets--Ending				\$ 992,197	\$ 3,115,296	\$ 4,107,493

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**

**EXHIBIT C**

	SPECIAL REVENUE FUNDS				Total Governmental Funds
	General	Fire Operating	Fire Station and Truck	Non-Major	
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 570,936	\$ 4,148	\$ 1	\$ 36,442	\$ 611,527
Accounts Receivable		9,892			9,892
Due From State	85,619				85,619
Total Assets	\$ 656,555	\$ 14,040	\$ 1	\$ 36,442	\$ 707,038
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 22,869	\$ 4,054		\$ 2,200	\$ 29,123
Accrued Liabilities	4,953	5,269		837	11,059
Deposits Held in Trust	5,000				5,000
Total Liabilities	32,822	9,323	\$ -	3,037	45,182
Fund Equity					
Fund Balances					
Unreserved--Undesignated	623,733	4,717	1	33,405	661,856
Total Fund Equity	623,733	4,717	1	33,405	661,856
Total Liabilities and Fund Equity	\$ 656,555	\$ 14,040	\$ 1	\$ 36,442	\$ 707,038
Fund Balances--Total Governmental Funds					\$ 661,856
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					764,989
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					(434,648)
Net Assets of Governmental Activities					\$ 992,197

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2008**

**EXHIBIT D**

	General	Fire Operating	Fire Station and Truck	Non-Major	Total Governmental Funds
<b>Revenues</b>					
Taxes and Penalties	\$ 137,753	\$ 80,015	\$ 80,015		\$ 297,783
Licenses and Permits	4,564			\$ 35,822	40,386
Federal Grants		7,920			7,920
State Grants	265,912			1,430	267,342
Charges for Services	27,226				27,226
Fines and Forfeits	8,687			171	8,858
Interest and Rentals	34,841	11			34,852
Other Revenue	3,796	3,974		9,985	17,755
<b>Total Revenues</b>	<b>482,779</b>	<b>91,920</b>	<b>80,015</b>	<b>47,408</b>	<b>702,122</b>
<b>Expenditures</b>					
Current					
General Government	217,638				217,638
Public Safety		175,713		45,783	221,496
Public Works	5,434			7,703	13,137
Community and Economic Development	90,437				90,437
Recreation and Cultural	2,042				2,042
Capital Outlay	15,805				15,805
Debt Service					
Principal			78,101		78,101
Interest			17,564		17,564
<b>Total Expenditures</b>	<b>331,356</b>	<b>175,713</b>	<b>95,665</b>	<b>53,486</b>	<b>656,220</b>
Excess of Revenues Over (Under) Expenditures	151,423	(83,793)	(15,650)	(6,078)	45,902
Other Financing Sources (Uses)					
Interfund Transfers In		85,912	15,650	-	101,562
Interfund Transfers (Out)	(101,562)			-	(101,562)
<b>Total Other Financing Sources (Uses)</b>	<b>(101,562)</b>	<b>85,912</b>	<b>15,650</b>	<b>-</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	49,861	2,119	-	(6,078)	45,902
Fund Balance--July 1, 2007	573,872	2,598	1	39,483	615,954
Fund Balance--June 30, 2008	\$ 623,733	\$ 4,717	\$ 1	\$ 33,405	\$ 661,856
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses					\$ 45,902
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures in the Statement of Activities.					
These costs are allocated over their estimated useful lives as depreciation.					
					(89,431)
Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt).					
					78,101
Change in Net Assets of Governmental Activities					\$ 34,572

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2008**

**EXHIBIT E**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
<b><u>ASSETS</u></b>	Sewer	Water	
Current Assets			
Cash and Cash Equivalents	\$ 3,929	\$ 102,369	\$ 106,298
Investments		324,302	324,302
Receivables			
Special Assessments		32,360	32,360
Accounts	5,365	39,716	45,081
Total Current Assets	9,294	498,747	508,041
Noncurrent Assets			
Due From County	35,869	47,847	83,716
Due From Private Sources	420,000		420,000
Special Assessments		246,454	246,454
Capital Assets			
Net of Accumulated Depreciation	1,635,390	2,241,172	3,876,562
Total Noncurrent Assets	2,091,259	2,535,473	4,626,732
Total Assets	\$ 2,100,553	\$ 3,034,220	\$ 5,134,773
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	\$ 15,253	\$ 14,960	\$ 30,213
Due to Other Units of Government	140,561		140,561
Accrued Liabilities		150	150
Total Current Liabilities	155,814	15,110	170,924
Noncurrent Liabilities			
Contracts Payable	71,866	141,687	213,553
Bonds Payable--Due Within One Year	20,000	30,000	50,000
Bonds Payable--Due in More Than One Year	1,025,000	560,000	1,585,000
Total Noncurrent Liabilities	1,116,866	731,687	1,848,553
Total Liabilities	1,272,680	746,797	2,019,477
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets			
Net of Related Debt	1,046,259	1,945,473	2,991,732
Unrestricted	(218,386)	341,950	123,564
Total Net Assets	\$ 827,873	\$ 2,287,423	\$ 3,115,296

**The Notes to Financial Statements are an integral part of this statement.**



**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2008**

**EXHIBIT F**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		Total Enterprise Funds
	<u>Sewer</u>	<u>Water</u>	
Operating Revenues			
Charges for Services	\$ 30,822	\$ 182,809	\$ 213,631
Total Operating Revenues	30,822	182,809	213,631
Operating Expenses			
Salaries and Wages		4,198	4,198
Contractual Services	138,340	35,144	173,484
Materials and Supplies		13,220	13,220
Water Purchased		33,354	33,354
Equipment Repair and Maintenance		35,517	35,517
Utilities		7,773	7,773
Casualty and Liability Costs	340	2,548	2,888
Depreciation	42,872	81,524	124,396
Total Operating Expenses	181,552	213,278	394,830
Operating Income (Loss)	(150,730)	(30,469)	(181,199)
Nonoperating Revenues (Expenses)			
Interest Earned on Investments	2,910	39,706	42,616
Interest Expense	(39,991)	(28,325)	(68,316)
Total Nonoperating Revenues (Expenses)	(37,081)	11,381	(25,700)
Net Income (Loss)	(187,811)	(19,088)	(206,899)
Change in Net Assets	(187,811)	(19,088)	(206,899)
Total Net Assets--July 1, 2007	1,015,684	2,306,511	3,322,195
Total Net Assets--June 30, 2008	\$ 827,873	\$ 2,287,423	\$3,115,296

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2008**

**EXHIBIT G**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		Total Enterprise Funds
	Sewer	Water	
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 29,460	\$ 190,727	\$ 220,187
Cash Payments to Employees for Services and Benefits		(4,446)	(4,446)
Cash Payments to Suppliers for Goods and Services	(58,087)	(145,191)	(203,278)
Net Cash Provided by Operating Activities	(28,627)	41,090	12,463
Cash Flows From Noncapital Financing Activities			
Due to Other Funds		(20,000)	(20,000)
Special Assessments		56,627	56,627
Net Cash Provided by Noncapital Financing Activities	-	36,627	36,627
Cash Flows From Capital and Related Financing Activities			
Due From County	70,650	599	71,249
Contracts Payable	(1,050)		(1,050)
Reduction of Debt		(100,000)	(100,000)
Interest Paid on Bonds	(39,991)	(28,325)	(68,316)
Net Cash Provided by Capital and Related Financing Activities	29,609	(127,726)	(98,117)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	2,910	39,706	42,616
Sale or (Purchase) of Investments		8,629	8,629
Net Cash Provided by Investing Activities	2,910	48,335	51,245
Net Increase (Decrease) in Cash and Cash Equivalents	3,892	(1,674)	2,218
Cash and Cash Equivalents at Beginning of Year	37	104,043	104,080
Cash and Cash Equivalents at End of Year	\$ 3,929	\$ 102,369	\$ 106,298
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (150,730)	\$ (30,469)	\$ (181,199)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	42,872	81,524	124,396
(Increase) Decrease in Accounts Receivable	(1,362)	7,918	6,556
Increase (Decrease) in Accounts Payable	80,593	(248)	80,345
Increase (Decrease) in Accrued Wages Payable		(17,635)	(17,635)
Net Cash Provided by Operating Activities	\$ (28,627)	\$ 41,090	\$ 12,463

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

**EXHIBIT H**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	<u>\$ -</u>
Total Assets	<u><u>\$ -</u></u>
<b><u>LIABILITIES</u></b>	
Liabilities	
Undistributed Taxes	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>

**The Notes to the Financial Statements are an integral part of this statement.**

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crockery Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Crockery Township:

##### Reporting Entity

Crockery Township is located in Ottawa County and provides services to approximately 3,782 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Crockery Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Operating Fund accounts for the millage revenue and is reserved for the operation of the fire department.

The Fire Station and Truck Fund accounts for the millage revenue and is reserved for the purchase of the fire station, the fire truck and the repayment of the related debt.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township reports the following major proprietary funds:

The Water Fund accounts for the water operations of the township.

The Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses, not meeting this definition, are reported as nonoperating revenues and expenses.

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Bank Deposits and Investments

For the purposes of the statement of cash flows, demand deposits and short-term investments with a maturity of three months or less, when acquired, are considered to be cash equivalents. The statement of cash flows includes both restricted and unrestricted cash.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Sewer and Water System		40 years

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and Special Revenue Funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

##### Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.



# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

#### Fund Deficits

Crockery Township has an accumulated deficit of \$218,386 in the unrestricted net assets in the Sewer Fund.

Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

### NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Crockery Township Board has designated two banks for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 611,527	\$ 106,298	\$ -	\$ 717,825
Investments	<u>                    </u>	<u>324,302</u>	<u>                    </u>	<u>324,302</u>
Total	<u><u>\$ 611,527</u></u>	<u><u>\$ 430,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,042,127</u></u>

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 717,475
Investments in Money Market and Government Operating Money Market	324,302
Petty Cash and Cash on Hand	<u>350</u>
Total	<u><u>\$1,042,127</u></u>

The bank balance of the primary government's deposits is \$716,950, of which \$200,000 is covered by Federal depository insurance. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

### Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township has limited their investments to money markets. The investment policy does not contain any specific provisions intended to limit the exposure to interest rate risk, credit risk, and concentration of credit risk.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the township manages its exposure to interest rate risk is by participating in money markets which hold diverse investments that are authorized by law for direct investment.

As of June 30, 2008, the township had the following investments:

	<u>Reported Amount (Fair Value)</u>
Investments	
Government Operating Money Market	<u>\$324,302</u>
Total Primary Government	<u><u>\$324,302</u></u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--DEPOSITS AND INVESTMENTS (Continued)

##### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Government Operating Money Market has a credit rating of Aaa as assigned by Moody's Investors Service.

The investment policy of the township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

##### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

#### NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. The township property taxes were levied and collectible on December 1, 2007. It is the policy of Crockery Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2007 taxable valuation of Crockery Township amounted to \$116,559,099, on which ad valorem taxes of .8991 mills were levied for township operating purposes, .6903 mills for fire operations, and .6903 for the fire station and truck resulting in property tax revenue of \$104,110, \$80,015, and \$80,015, respectively, during the fiscal year ended June 30, 2008. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--RECEIVABLES

#### Special Assessments Receivable--Governmental Funds

The township collects special assessments in the Water Fund to collect for expenses incurred by the township to create the water system. The special assessments are billed in July and placed on the tax bills if not collected. As of June 30, 2008, the Water Fund has special assessments receivable of \$278,814.

#### Accounts Receivable

The accounts receivable for the township are recorded in the Sewer and Water Fund. The receivable is based on the sewer and water services provided by the township. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer and Water Fund is \$4,003 and \$47,634, respectively.

### NOTE F--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The 2008 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General		\$ 101,562
Fire Operating	\$ 85,912	
Fire Station and Truck	<u>15,650</u>	<u>                    </u>
Total	<u>\$ 101,562</u>	<u>\$ 101,562</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Capital asset activity of the township for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 500			\$ 500
Subtotal	500	\$ -	\$ -	500
Capital Assets Being Depreciated				
Land Improvements	60,322			60,322
Building and Building Improvements	662,397			662,397
Equipment	137,999	15,805		153,804
Vehicles	733,806			733,806
Subtotal	1,594,524	15,805	-	1,610,329
Less Accumulated Depreciation for				
Land Improvements	53,731	3,094		56,825
Building and Building Improvements	183,892	19,024		202,916
Equipment	66,080	33,699		99,779
Vehicles	436,901	49,419		486,320
Subtotal	740,604	105,236	-	845,840
Net Capital Assets Being Depreciated	853,920	(89,431)	-	764,489
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 854,420</u>	<u>\$ (89,431)</u>	<u>\$ -</u>	<u>\$ 764,989</u>

The depreciation expense was \$105,236 during the year.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the township for the current year was as follows:

<u>Business-Type Activities</u>	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Sewer System	\$ 1,714,884			\$ 1,714,884
Water System	3,486,962			3,486,962
Subtotal	5,201,846	\$ -	\$ -	5,201,846
Less Accumulated Depreciation				
Sewer System	36,622	42,872		79,494
Water System	1,164,267	81,524		1,245,791
Subtotal	1,200,888	124,396	-	1,325,285
Net Capital Assets Being Depreciated	4,000,958	(124,396)	-	3,876,562
Total Capital Assets--Net of Depreciation	<u>\$ 4,000,958</u>	<u>\$ (124,396)</u>	<u>\$ -</u>	<u>\$ 3,876,562</u>

The depreciation expense was \$124,396 during the year.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 12,314
Public Safety	90,552
Recreational and Cultural	<u>2,370</u>
Total Governmental Activities	<u>\$ 105,236</u>
Business-Type Activities	
Sewer	\$ 42,872
Water	<u>81,524</u>
Total Business-Type Activities	<u>\$ 124,396</u>

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Balance 07/01/07	Additions (Reductions)	Balance 06/30/08	Due Within One Year
<u>Governmental Activities</u>				
Crockery Township Note Payable of \$450,243 for ten years at an interest rate of 3.56% due in semiannual installments for the construction of a new fire station.	\$ 288,295	\$ (43,913)	\$ 244,382	\$ 45,489
Crockery Township Note Payable of \$349,757 for ten years at an interest rate of 3.56% due in semiannual installments for the purchase of the new fire truck.	224,454	(34,188)	190,266	35,416
Total Governmental Activities	<u>\$ 512,749</u>	<u>\$ (78,101)</u>	<u>\$ 434,648</u>	<u>\$ 80,905</u>
<u>Business-Type Activities</u>				
Crockery Township bonds due in annual installments of \$20,000 to \$230,000 for 20 years at an interest rate ranging from 2% to 4.375% for establishing the sewer system.	\$ 1,045,000		\$ 1,045,000	\$ 20,000
Crockery Township refunded bonds due in annual installments of \$55,000 \$85,000 for ten years at an interest rate 3.8% to 4.7% for establishing the water system.	85,000	\$ (85,000)	-	
Crockery Township refunded bonds due in annual installments of \$10,000 to \$20,000 for 20 years at an interest rate ranging from 3.8% to 5.25% for establishing the water system.	185,000	(15,000)	170,000	15,000
Crockery Township bonds due in annual installments of \$0 to \$35,000 for 20 years at an interest rate ranging from 3.625% to 4.3% for district #11 of the water system.	420,000		420,000	15,000
	<u>\$ 1,735,000</u>	<u>\$ (100,000)</u>	<u>\$ 1,635,000</u>	<u>\$ 50,000</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the township's long-term debt obligations outstanding at June 30, 2008, are as follows:

Date of Issue: June 1, 2003

Amount: \$450,243

Purpose: Fire Station

Year	Principal		Interest		Annual Total
	Dec 1	June 1	Dec 1	June 1	
2009	\$ 22,544	\$ 22,945	\$ 4,350	\$ 3,949	\$ 53,788
2010	23,354	23,769	3,540	3,125	53,788
2011	24,193	24,623	2,702	2,271	53,789
2012	25,061	25,508	1,833	1,386	53,788
2013	25,962	26,423	932	470	53,787
	<u>\$ 121,114</u>	<u>\$ 123,268</u>	<u>\$ 13,357</u>	<u>\$ 11,201</u>	<u>\$ 268,940</u>

Date of Issue: June 1, 2003

Amount: \$349,757

Purpose: Fire Truck

Year	Principal		Interest		Annual Total
	Dec 1	June 1	Dec 1	June 1	
2009	\$ 17,552	\$ 17,864	\$ 3,387	\$ 3,074	\$ 41,877
2010	18,182	18,506	2,756	2,433	41,877
2011	18,835	19,171	2,103	1,768	41,877
2012	19,512	19,859	1,427	1,079	41,877
2013	20,213	20,572	726	366	41,877
	<u>\$ 94,294</u>	<u>\$ 95,972</u>	<u>\$ 10,399</u>	<u>\$ 8,720</u>	<u>\$ 209,385</u>



## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: October 6, 2004

Amount: \$1,275,000

Purpose: Establish Sewer System

<u>Year</u>	<u>Principal Nov 1</u>	<u>Interest</u>	<u>Annual Total</u>	<u>Due From Private Source</u>
2009	\$ 20,000	\$ 39,991	\$ 59,991	\$ 45,000
2010	25,000	39,016	64,016	45,000
2011	30,000	38,191	68,191	45,000
2012	40,000	37,121	77,121	45,000
2013	45,000	35,770	80,770	45,000
2014-2018	365,000	143,532	508,532	195,000
2019-2023	350,000	74,496	424,496	
2024-2025	<u>170,000</u>	<u>7,384</u>	<u>177,384</u>	
	<u>\$ 1,045,000</u>	<u>\$415,501</u>	<u>\$ 1,460,501</u>	<u>\$420,000</u>

Date of Issue: November 1, 1998

Amount: \$275,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Principal Nov 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>Nov 1</u>	
2008	\$ 15,000		\$ 4,402	\$ 19,402
2009	15,000	\$ 4,043	4,043	23,086
2010	15,000	3,675	3,675	22,350
2011	15,000	3,281	3,281	21,562
2012	15,000	2,888	2,887	20,775
2013-2017	<u>95,000</u>	<u>7,744</u>	<u>7,744</u>	<u>110,488</u>
	<u>\$ 170,000</u>	<u>\$21,631</u>	<u>\$ 26,032</u>	<u>\$ 217,663</u>

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: June 23, 2005

Amount: \$420,000

Purpose: Establish Water System District #11

<u>Year</u>	<u>Principal Nov 1</u>	<u>Interest</u>	<u>Annual Total</u>
2008	\$ 15,000	\$ 16,357	\$ 31,357
2009	15,000	15,803	30,803
2010	15,000	15,270	30,270
2011	20,000	14,635	34,635
2012	20,000	13,910	33,910
2013-2017	105,000	58,436	163,436
2018-2022	135,000	34,959	169,959
2023-2025	<u>95,000</u>	<u>6,337</u>	<u>101,337</u>
	<u>\$ 420,000</u>	<u>\$175,707</u>	<u>\$595,707</u>

### NOTE I--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides water services. Segment information for the year ended June 30, 2008, was as follows:

	<u>Sewer</u>	<u>Water</u>
Operating Revenues	\$ 30,822	\$ 182,809
Operating Income (Loss)	(150,730)	(30,469)
Net Income (Loss)	(187,811)	(19,088)
Capital Assets Less		
Accumulated Depreciation	1,635,390	2,241,172
Net Working Capital	(146,520)	483,637
Long-Term Debt	1,045,000	590,000
Total Assets	2,100,553	3,034,220
Total Equity	827,873	2,287,423

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--RISK MANAGEMENT

Crockery Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The township has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

#### NOTE K--COMMITMENTS

On August 1, 1984, Crockery Township entered into an agreement with Spring Lake Township for the use of the Spring Lake Water Distribution System, a portion of Spring Lake's capacity rights in the Northwest Ottawa County Water System, and for the right to draw water from the system. According to the agreement, Crockery Township agreed to special assess the residents bordering Spring Lake Township as the residents connected to the water system. Residents are not required to use the township's water system and, therefore, would not be special assessed. Because of this, Crockery Township has a balance of \$150,684 to be paid back at some point in the future as the residents access the water system and the special assessments become available.

#### NOTE L--CONTRACT PAYABLE

On October 22, 2007, Crockery Township approved the final payback agreement to Eastbrook Development for the sewer and water extension construction projects completed by Eastbrook Development on behalf of the township. The costs of these projects were to be shared by both Eastbrook Development and Crockery Township. The total cost of the sewer project was \$250,000 and Crockery Township's portion of the costs was \$72,916. The total cost of the water project was \$226,000 and Crockery Township's portion of the costs was \$141,687. As of June 30, 2008, the contract payable balance in the Sewer and Water Funds is \$71,866 and \$141,687, respectively.

According to the agreement, repayment of these balances is to be made semiannually on March 1 and September 1 of each calendar year. The Sewer Fund's contract payable is to be paid to Eastbrook Development the sum of \$350 per unit, as defined in the Township's Sewer Connection, Use and Rate Ordinance for each of the premises in the Sewer Service Area that connects to the system for sewer service. The Water Fund's contract payable is to be paid to Eastbrook Development based on a per lineal frontage charge for each of the premises in the water service area as defined by the Township's Water System Ordinance.

The agreement is to terminate the earlier of 20 years after this agreement or the date of the receipt of the contract payable by Eastbrook Development. No interest is accrued during the term of this agreement.

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended June 30, 2008**

**EXHIBIT I**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes and Penalties	\$ 136,640	\$ 137,753	\$ 137,753	-
Licenses and Permits	3,900	4,564	4,564	-
State Grants	262,508	265,912	265,912	-
Charges for Services	31,200	27,226	27,226	-
Fines and Forfeits	8,000	8,687	8,687	-
Interest and Rentals	30,700	37,340	34,841	\$ (2,499)
Other Revenue	3,554	3,797	3,796	(1)
Total Revenues	476,502	485,279	482,779	(2,500)
Expenditures				
Current				
General Government	243,286	217,660	217,638	22
Public Works	15,600	5,436	5,434	2
Community and Economic Development	86,938	90,443	90,437	6
Recreation and Cultural	1,200	2,043	2,042	1
Capital Outlay	15,805	15,805	15,805	-
Total Expenditures	362,829	331,387	331,356	31
Excess of Revenues Over (Under) Expenditures	113,673	153,892	151,423	(2,469)
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(101,118)	(101,562)	(101,562)	-
Total Other Financing Sources (Uses)	(101,118)	(101,562)	(101,562)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,555	52,330	49,861	(2,469)
Fund Balance--July 1, 2007	-	-	573,872	573,872
Fund Balance--June 30, 2008	\$ 12,555	\$ 52,330	\$ 623,733	\$ 571,403

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR SPECIAL REVENUE FUND  
FIRE OPERATING FUND  
For the Year Ended June 30, 2008**

**EXHIBIT J**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 80,962	\$ 80,016	\$ 80,015	\$ (1)
Federal Grant		7,920	7,920	-
Interest		11	11	-
Other Revenue		3,974	3,974	-
Total Revenues	80,962	91,921	91,920	(1)
Expenditures				
Public Safety	166,874	180,723	175,713	5,010
Total Expenditures	166,874	180,723	175,713	5,010
Excess of Revenues Over (Under) Expenditures	(85,912)	(88,802)	(83,793)	5,009
Other Financing Sources (Uses)				
Interfund Transfers In	85,912	85,912	85,912	-
Total Other Financing Sources (Uses)	85,912	85,912	85,912	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(2,890)	2,119	5,009
Fund Balance--July 1, 2007	-	2,890	2,598	(292)
Fund Balance--June 30, 2008	\$ -	\$ -	\$ 4,717	\$ 4,717

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR SPECIAL REVENUE FUND  
FIRE STATION AND TRUCK  
For the Year Ended June 30, 2008**

**EXHIBIT K**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 80,462	\$ 80,018	\$ 80,015	\$ (3)
Total Revenues	80,462	80,018	80,015	(3)
Expenditures				
Debt Service				
Principal	72,778	78,104	78,101	3
Interest	22,890	17,564	17,564	-
Total Expenditures	95,668	95,668	95,665	3
Excess of Revenues Over (Under) Expenditures	(15,206)	(15,650)	(15,650)	-
Other Financing Sources (Uses)				
Interfund Transfers In	15,206	15,650	15,650	-
Total Other Financing Sources (Uses)	15,206	15,650	15,650	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balance--July 1, 2007	-	-	1	1
Fund Balance--June 30, 2008	\$ -	\$ -	\$ 1	\$ 1

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

**EXHIBIT L**

<b><u>SPECIAL REVENUE FUNDS</u></b>				
	Liquor Law Enforcement	Street Lights	Building Department	Total
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 3,241	\$ 2	\$ 33,199	\$ 36,442
Total Assets	\$ 3,241	\$ 2	\$ 33,199	\$ 36,442
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts Payable			\$ 2,200	\$ 2,200
Accrued Liabilities	\$ 80		757	837
Total Liabilities	80	\$ -	2,957	3,037
Fund Balances				
Unreserved--Undesignated	3,161	2	30,242	33,405
Total Fund Balances	3,161	2	30,242	33,405
Total Liabilities and Fund Balances	\$ 3,241	\$ 2	\$ 33,199	\$ 36,442

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2008**

**EXHIBIT M**

	<b>SPECIAL REVENUE FUNDS</b>			
	Liquor Law Enforcement	Street Lights	Building Department	Total
Revenues				
Licenses and Permits			\$ 35,822	\$ 35,822
State Grants	\$1,430			1,430
Fines and Forfeits			171	171
Other		\$ 9,985		9,985
Total Revenues	1,430	9,985	35,993	47,408
Expenditures				
Public Safety	1,211		44,572	45,783
Public Works		7,703		7,703
Total Expenditures	1,211	7,703	44,572	53,486
Excess of Revenue Over (Under)				
Expenditures	219	2,282	(8,579)	(6,078)
Fund Balance--July 1, 2007	2,942	(2,280)	38,821	39,483
Fund Balance--June 30, 2008	\$3,161	\$ 2	\$ 30,242	\$ 33,405



**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING**  
**SOURCES--BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended June 30, 2008**

**EXHIBIT N**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Taxes and Penalties				
Current Property Taxes	\$ 104,790	\$ 104,110	\$ 104,110	-
Delinquent Personal Property Taxes	500	-	-	-
Trailer Park Taxes	650	1,006	1,006	-
Interest and Penalties on Taxes	700	472	472	-
Property Tax Administration Fees	30,000	32,165	32,165	-
Total Taxes and Penalties	136,640	137,753	137,753	\$ -
Licenses and Permits				
Licenses and Permits	300	500	500	-
Cable Franchise Fees	3,600	4,064	4,064	-
Total Licenses and Permits	3,900	4,564	4,564	-
State Grants				
Revenue Sharing	257,328	260,700	260,700	-
Metro Act	5,180	5,212	5,212	-
Total State Grants	262,508	265,912	265,912	-
Charges for Services				
Election Reimbursement	-	2,126	2,126	-
Grave Openings	6,000	3,025	3,025	-
Summer Collection	7,200	6,328	6,328	-
Cemetery Sale of Lots	2,000	2,050	2,050	-
Zoning Changes	2,500	200	200	-
Zoning Application Fees	700	1,400	1,400	-
Zoning Books	400	215	215	-
Zoning-Site Plan Land Development	100	3,553	3,553	-
Planning Commission	500	50	50	-
Escrow Funds	8,000	6,129	6,129	-
Pop Machine Income	500	100	100	-
Brine Income	700	-	-	-
Title Search Income	2,500	2,050	2,050	-
Other Charges for Services	100	-	-	-
Total Charges for Services	31,200	27,226	27,226	-
Fines and Forfeitures				
Ordinance Fines	8,000	8,687	8,687	-
Total Fines and Forfeitures	8,000	8,687	8,687	-
Interest and Rents				
Interest Earned	9,500	17,227	14,728	(2,499)
Rental Income	21,200	20,113	20,113	-
Total Interest and Rents	30,700	37,340	34,841	(2,499)
Other Revenues				
Refunds and Reimbursements	3,554	3,797	3,796	(1)
Total Other Revenues	3,554	3,797	3,796	(1)
Total Revenue	\$ 476,502	\$ 485,279	\$ 482,779	\$(2,500)

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended June 30, 2008**

**EXHIBIT O**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Township Board	\$ 7,384	\$ 4,708	\$ 4,707	\$ 1
Supervisor	14,093	10,543	10,541	2
Elections	8,700	3,479	3,477	2
Audit	5,500	5,430	5,430	-
Assessor	27,500	30,900	30,898	2
Attorney	12,000	7,787	7,787	-
Clerk	22,255	21,504	21,501	3
Board of Review	690	442	441	1
Treasurer	31,500	25,500	25,498	2
Building and Grounds	63,676	61,505	61,501	4
Cemetery	16,323	16,457	16,455	2
General Administration	33,665	29,405	29,402	3
Total General Government	243,286	217,660	217,638	22
Public Works				
Drains	10,000	3,511	3,510	1
Road Maintenance	3,700	-	-	-
Street Lights	1,900	1,925	1,924	1
Total Public Works	15,600	5,436	5,434	2
Community Development				
Planning Commission	40,070	31,391	31,390	1
Zoning Board	45,238	58,621	58,616	5
Zoning Board of Appeals	1,630	431	431	-
Total Community Development	86,938	90,443	90,437	6
Recreational and Cultural				
Recreational	1,200	2,043	2,042	1
Total Recreational and Cultural	1,200	2,043	2,042	1
Capital Outlay				
Capital Outlay	15,805	15,805	15,805	-
Total Capital Outlay	15,805	15,805	15,805	-
Total Expenditures	362,829	331,387	331,356	31
Other Financing Uses				
Interfund Transfers (Out)				
Fire Operating	85,912	85,912	85,912	-
Fire Station and Truck	15,206	15,650	15,650	-
Total Other Financing Uses	101,118	101,562	101,562	-
Total Expenditures and Other Financing Uses	\$ 463,947	\$ 432,949	\$ 432,918	\$ 31



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

December 1, 2008

Township of Crockery  
Board of Trustees  
17431 112<sup>th</sup> Avenue  
Nunica, Michigan 49448

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise Crockery Township's basic financial statements and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crockery Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crockery Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crockery Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the township's financial statements that is more than inconsequential will not be prevented or detected by the township's internal control. We consider the deficiencies described in the accompanying

Schedule of Findings to be significant deficiencies in internal control over financial reporting and are documented as Findings 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider Findings 2008-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crockery Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which is described in the accompanying Schedule of Findings as Finding 2007-1.

This report is intended solely for the information and use of the management, the township board, others within the township, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

December 1, 2008

Township of Crockery  
Board of Trustees  
17431 112<sup>th</sup> Avenue  
Nunica, Michigan 49448

RE: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in the engagement letter dated January 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with you oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Crockery Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Crockery Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 6, 2008.

### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crockery Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the depreciation is based on the straight line method in accordance with General Accepted Accounting Principles. We evaluated the key factors and assumptions used to develop the estimated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Crockery Township and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### SCHEDULE OF FINDINGS

#### MATERIAL WEAKNESSES

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the township's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. The following conditions are considered material weaknesses.

##### Segregation of Duties

*Finding 2008-1*

*Condition:* We found that the treasurer's office is responsible for processing the sewer and water bills, part of the collection function, preparing and mailing customer bills and collecting accounts receivable, posting cash receipts to sub-ledger, reviewing accounts receivable balances, investigating accounts receivable discrepancies, maintaining accounts receivable adjustments, editing the accounts receivable master file, investigating discrepancies or issues related to revenue, making deposits, and reconciling the bank statements.

*Criteria:* Segregation of duties is a key control activity and requires that key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

*Recommendation:* We recommend that the township establish procedures to segregate duties to ensure that the treasurer's office is not solely responsible the duties listed above.

#### STATUTORY NONCOMPLIANCE

##### Fund Deficits

*Finding 2007-1*

*Condition:* Crockery Township has an accumulated deficit of \$218,386 in the unrestricted net assets in the Sewer Fund.

*Criteria:* Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

*Direction:* We direct that the township prepare the deficit elimination plan as required by State statute.